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Private Fundraising: Financial report for the year ended 31 December 2014

Summary

This document presents the financial results achieved by the UNICEF Private Fundraising and Partnerships (PFP) Division for the year ended 31 December 2014.

Total private sector revenue for the year was $1.28 billion, of which $1.24 billion was from fundraising and other revenue and $43 million was from the sale of cards and products. The total private sector revenue is comprised of $441 million from regular resources and $708 million from fundraising of other resources. After deducting PFP expenses ($111 million) and the cost of sales for cards and products ($20 million), the net private sector surplus was $1.15 billion. This was $139 million (14 per cent) more than the total planned target of $1.01 billion, and $19 million (2 per cent) more than the $1.13 billion generated in 2013.

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Overview of the 2014 results

1. The Private Fundraising and Partnerships (PFP) Division coordinates all private fundraising and non-fundraising partnerships with the private sector in the National Committees for UNICEF and UNICEF country offices, manages strategic relationships with the National Committees, provides guidance for child rights advocacy activities in industrialized countries, and supports the organization's corporate partnership and engagement function.

2. Total private sector revenue for 2014 from the fundraising and sales activities of 35 National Committees and 56 country offices was $1.28 billion. After deducting PFP expenses totalling $111 million and the cost of sales for cards and products of $20 million, the net private sector surplus was $1.15 billion. This was $139 million (14 per cent) more than the approved budget of $1.01 billion. The PFP expenses included non-cards and products expenses of $97 million, direct cards and products expenses of $7 million, and $7 million indirect cards and products expenses.

Table 1
Summary of PFP results
(In millions of United States dollars)

	National Committees private FR and Other RR	*Cards and Products*	*Non-cards and Products PFP expenses*	*Total RR*	*National Committees private FR — OR*	*Other private FR — OR*	*Total private FR — OR*	*Grand total*
Private Sector Revenue	529	43		572	576	132	708	1 280
Cost of sales — National Committee expenses		-11		-11				-11
Cost of sales — PFP Special purpose		-9		-9				-9
PFP expenses — Special purpose		-14	-79	-93				-93
PFP expenses — Management costs			-14	-14				-14
PFP expenses — Development effectiveness			-4	-4				-4
Net PFP surplus	**529**	**9**	**-97**	**441**	**576**	**132**	**708**	**1 149**

FR — fundraising
RR — regular resources
OR — other resources

3. The net private sector surplus of $1.15 billion compares to the 2014 approved budget and 2013 actuals as follows:

Table 2
2014 Actual vs 2014 budget, and 2013 actual
(In millions of United States dollars)

	2014		
	Actual	*Budget*	*2013 Actual*
Private sector revenue — regular resources	571.5	625.8	587.7
Private sector revenue — other resources	708.4	530.0	677.0
Total private sector revenue	**1 279.9**	**1 155.8**	**1 264.7**
Total expenses (including sales expenses of National Committees for UNICEF)	(130.6)	(145.2)	(134.4)
Net private sector surplus	**1 149.3**	**1 010.6**	**1 130.3**

4. The total private sector revenue of $1.28 billion was $124 million (11 per cent) higher than the budgeted amount of $1.16 billion. This was primarily a result of an increase of $178 million (34 per cent) in the private sector fundraising contributions of other resources of $708 million compared with the $530 million budgeted for 2014. This variance was primarily driven by an increase in contributions received from foundations.

5. Private sector revenue was heavily impacted by exchange rate fluctuations in 2014 due to the devaluation of currencies such as the Japanese yen, the Swedish krona, the euro and the Korean won compared to the US dollar. For example, the Japan Committee for UNICEF, which was the largest National Committee contributor of regular resources to UNICEF in 2014, saw the value of its currency drop by 19 per cent compared to the date when the budget was prepared in May 2013. Eurozone countries, which are also important contributors of regular resources, experienced a 7 per cent decrease in their US dollar revenue reported over the same period.

6. The actual private sector revenue of $1.28 billion in 2014 was negatively impacted by $98 million compared with forecasted amounts due to adverse exchange rates. If exchange rates had remained constant, private sector revenue would have reached $1.37 billion in 2014.

7. The $139 million (14 per cent) increase in the net private sector surplus of $1.15 billion compared to the 2014 budget of $1.01 billion was driven by the $178 million (34 per cent) increase in the other resources net surplus and offset by a decrease in the net private sector surplus from regular resources, which at $441 million was $40 million (8 per cent) lower than the $481 million budgeted for 2014. Cards and products operations generated a net surplus of $9 million, which was $2 million more than the $7 million budgeted for 2014. The lower-than-budgeted regular resources net surplus was due to a combination of continued difficult economic conditions faced by the National Committees and a decrease in revenue from greeting cards and products in the final year of UNICEF-sourced cards and products operations.

Private sector fundraising contributions — Regular and other resources

8. Total contributions from private sector fundraising in 2014 (after deducting National Committee expenses) were $1.23 billion compared with $1.1 billion budgeted for 2014, resulting in an overall positive variance of $132 million (12 per cent). This was the net result of lower private sector fundraising of regular resources ($522 million compared to budgeted $568 million); and higher performance in private sector fundraising of other resources ($708 million compared with $530 million in 2013).

9. The underlying fundraising performance, however, was positive, with the total number of regular monthly givers (pledge donors) increasing to 4 million in 2014 from 3.6 million in 2013 (an 11 per cent increase) and pledge retention at 13 months improving across the UNICEF National Committees, with 10 countries averaging 70 per cent to 79 per cent.

10. As mentioned above, the fundraising result for other resources of $708 million was $178 million (34 per cent) higher than the 2014 budget of $530 million. This was largely due to strong growth in revenue from foundations: for example, the Bill & Melinda Gates Foundation contributed $113 million in 2014, which was received via one of the National Committees.

Sale of UNICEF cards and products

11. Gross revenue from UNICEF cards and products sales includes both gross revenue from the sale of UNICEF-supplied cards and products and other revenue. The latter includes (a) revenue from catalogue donations (contributions generated through PFP brochures and order forms); (b) National Committee products, originating from the sale of products sourced by National Committees; and (c) royalty revenue, including all revenue received from licensed products.

12. 2014 was the final year of UNICEF in-house cards and products operations. Gross revenue (including other sales revenue, including licensing) declined from $70 million in 2013 to $43 million in 2014, and was lower than the budget of $56 million. This variance was primarily due to a reduction in the number of countries selling PFP-supplied cards and products, a decrease in promotional activities and the adverse impact of exchange rate fluctuations.

Table 3
Cards and products revenue
(In millions of United States dollars)

				Increase/decrease			
				2014 actual vs budget		*2014 vs 2013*	
	2014 Actual	*2014 Budget*	*2013 Actual*	*$*	*%*	*$*	*%*
Gross revenue — cards and products	31.6	43.9	57.1	-12.3	-28.0	-25.5	-44.6
Other sales revenue including licensing	11.1	11.9	12.5	-0.8	-6.7	-1.4	-11.2
Total	**42.7**	**55.8**	**69.6**	**13.1**	**-23.5**	**-26.9**	**-38.7**

13. Gross revenue from the sale of PFP-supplied cards and products of $32 million was $12 million (28 per cent) lower than budgeted proceeds of $44 million. This lower-than-budgeted performance was a direct consequence of the strength of the US dollar against the euro, Japanese yen and Korean won, the currencies of those National Committees that were still selling PFP-supplied cards and products in 2014.

14. At $11 million, other sales revenue was $1 million (6.7 per cent) lower than the budgeted amount of $12 million.

Table 4
Cards and products net revenue
(In millions of United States dollars)

	2014				*2013*		*Variance (%)*	
Cards and products sales	*Actual*	*%*	*Budget*	*%*	*Actual*	*%*	*2014Actual vs Budget*	*2014 vs 2013 Actual*
Gross revenue	42.7	100	55.8	100	69.6	100	-23.5	-38.6
Sales expenses of National Committees	11.2	26.2	16.8	30.1	15.5	22.3	-33.3	-27.7
Net revenue	**31.5**	**73.8**	**39.0**	**69.9**	**54.1**	**77.7**	**-19.2**	**-41.8**

15. The net revenue from National Committees' sales declined from 77.7 per cent in 2013 to 73.8 per cent in 2014 (compared to 69.9 per cent budgeted for 2014). The deterioration was due to the discounted prices on cards and products that were extended to the National Committees in 2014, the final year of in-house operations. The discounted prices were in support of the strategy to maximize sales revenue from cards and products in the final year where demand for products was low, and thus minimize the amount of unsold inventory at the end of 2014. As a result, the final inventory write-off relating to unsold inventory amounted to $2 million, compared with the $4 million budgeted.

Other PFP revenue

16. Other revenue raised by National Committees was $7 million in 2014, showing a $5 million increase over budgeted other revenue of $2 million (255 per cent) and $3 million (78 per cent) above 2013. This included bank interest and government and intergovernmental revenue (non-governmental organization window funds and other entities).This increase was due mainly to a change in reporting: In 2014, National Committees reported other non-fundraising revenue that had previously been included in private sector fundraising contributions.

Development effectiveness costs

17. Development effectiveness costs consist of the costs of the National Committees relations function responsible for managing the strategic relationship between UNICEF and its National Committees. The actual expenditure of $4 million was $800,000 (19 per cent) below the budget and $2 million lower than costs incurred in 2013. The underspending was due to savings resulting from posts filled later than planned in 2014 ($600,000) and savings in operational expenses ($200,000).

Management costs

18. Management costs comprise the PFP Director's Office and Strategic Planning function (Director's Office) of $1 million and Finance and Operations costs of $13 million. The total costs for this category were $14 million compared to budgeted costs of $15 million, showing savings of $1 million (5 per cent), and $3 million less than the previous year of $17 million, representing a reduction of 17 per cent. The costs for the Director's Office were on target with budget with an expenditure of $1.1 million, and were $600,000 lower than actual costs for 2013. The Finance and Operations costs of $13million were $700,000 below budget and $2 million lower than actual costs for 2013. Underspending in the Finance and Operations category was made up of savings in post-related costs of $300,000 due to unfilled vacancies, and $400,000 in operating expenses.

Special purpose costs

19. Special purpose costs are comprised of fundraising ($17 million), country office support ($6 million), marketing and communication ($6 million), procurement ($1 million), cards and products ($17 million), private sector engagement ($4 million) and investment funds ($50 million). Total costs were $101 million versus a budget of $109 million, showing savings of $8 million (7.6 per cent), but were $6 million (6 per cent) more than the costs for 2013. Significant savings of $4 million were in the cards and products operating expenses, followed by post-related savings of $3 million in country office support, $2 million in fundraising, and the balance in marketing and communication and procurement ($500,000). This was partly offset by allocating $1 million in investment funds to new revenue-generating opportunities.

Investment funds expenses

20. To enable PFP to more effectively mobilize resources for children through private fundraising activities, the Executive Board approved a budget of $49 million for investment fund allocations in 2014. These funds aim to increase the capacity of National Committees and country offices to build a broader support base for raising funds from individuals and the corporate sector, and to test and evaluate new income-generating initiatives, focusing primarily on projects offering high rates of return. In 2014, the total expenses for investment funds were $50 million, compared with $41 million in 2013. The additional $1 million spent on investment funds activities were secured from savings made elsewhere in the Division. The funds were invested in 89 fundraising activities in 40 countries, whereas in 2013, investments were made in 93 activities in 43 countries. The investments in 2014 are expected to generate a return of more than $3.50 for every $1 invested over a 36-month period (compared to $3.32 for every $1 in 2013), returning $174 million in gross revenue over the next three years. Of the total investment funds expenses, $50 million was invested in fundraising development programmes, with more than 97 per cent allocated to projects that support a growth in the number of pledge donors. These include television advertising, face-to-face donor recruitment, and door-to-door and telephone marketing. Pledges generated an estimated $604 million in gross contributions in 2014 and, as mentioned earlier in the report, the total number of pledge donors increased to 4 million in 2014.

Basis of preparation of the PFP financial report

21. All revenue and expenses figures in this report are stated on an accrual basis.

Revenue and expenses

(in millions of United States dollars)

	2014 Actual			2014 Budget			2013 Actual			Variance			
	RR	OR	Total	RR	OR	Total	RR	OR	Total	2014 Actual vs 2014 approved budget		2014 Actual vs 2013 Actual	
										Amount	%	Amount	%
Private sector revenue													
Revenue from greeting cards and products	42.7		42.7	55.8		55.8	69.6		69.6	(13.1)	-23.5%	(26.9)	-39%
Private sector fundraising contributions	521.7	708.4	1 230.1	568.0	530.0	1 098.0	514.1	677.0	1 191.1	132.1	12.0%	39.0	3%
Other revenue	7.1		7.1	2.0		2.0	4.0		4.0	5.1	255.2%	3.1	78%
Total private sector revenue	**571.5**	**708.4**	**1 279.9**	**625.8**	**530.0**	**1 155.8**	**587.7**	**677.0**	**1 264.7**	**124.1**	**10.7%**	**15.2**	**1%**
PFP expenses													
A. Development effectiveness costs:	**3.6**		**3.6**	**4.4**		**4.4**	**5.5**		**5.5**	**(0.8)**	**-19.0%**	**(1.9)**	**-35%**
National Committee Relations	3.6		3.6	4.4		4.4	5.5		5.5	(0.8)	-19.0%	(1.9)	-35%
B. Management costs:	**14.3**		**14.3**	**15.0**		**15.0**	**17.2**		**17.2**	**(0.7)**	**-4.7%**	**(2.9)**	**-17%**
Director's Office and Strategic Planning	1.1		1.1	1.1		1.1	1.7		1.7	–	0.0%	(0.6)	-35%
Finance and Operations	13.2		13.2	13.9		13.9	15.5		15.5	(0.7)	-5.0%	(2.3)	-15%
C. Special purpose costs:	**100.7**		**100.7**	**109.0**		**109.0**	**94.9**		**94.9**	**(8.3)**	**-7.6%**	**5.8**	**6%**
Fundraising	16.6		16.6	18.1		18.1	13.2		13.2	(1.5)	-8.1%	3.4	26%
Country Office Support	6.0		6.0	8.8		8.8	7.0		7.0	(2.8)	-32.0%	(1.0)	-14%
Marketing and Communication	5.8		5.8	6.2		6.2	5.5		5.5	(0.4)	-7.2%	0.3	5%
Procurement	1.0		1.0	1.1		1.1	1.1		1.1	(0.1)	-8.9%	(0.1)	-9%
Cards and Products	17.3		17.3	21.5		21.5	24.2		24.2	(4.2)	-19.6%	(6.9)	-29%
Private Sector Engagement	4.3		4.3	4.3		4.3	2.7		2.7	(0.0)	-0.7%	1.6	58%
Investment Funds	49.8		49.8	49.0		49.0	41.2		41.2	0.8	1.6%	8.6	21%
Total PFP expenses	**118.6**		**118.6**	**128.4**		**128.4**	**117.6**		**117.6**	**(9.8)**	**-7.7%**	**1.0**	**1%**
Sales expenses of National Committees	11.2		11.2	16.8		16.8	15.5		15.5	(5.6)	-33.4%	(4.3)	-28%
PFP foreign exchange gains (losses)	(0.8)		(0.8)	–		–	(1.3)		(1.3)	(0.8)	0.0%	0.5	-38%
Net Private Sector surplus	**440.9**	**708.4**	**1 149.3**	**480.6**	**530.0**	**1 010.6**	**453.3**	**677.0**	**1 130.3**	**138.7**	**13.7%**	**19.0**	**2%**

RR — regular resources
OR — other resources